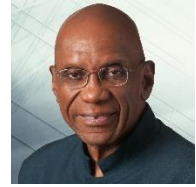




# Economic Letter January 2020



## Prosperity May Be Restored, With the Right Policy Mix

As we embark on the third decade of the 21st century, Barbadians look to our economic prospects with a mixture of hope and trepidation. Our hopes are grounded in our economy's inherent strengths: our highly regarded tourism services, good transport and communications, reliable public services, and our resourceful and well educated work force. In order to realise our full potential, there are a number of policies which government might consider.

Barbados' strength in tourism is the quality and variety of services and activities which our island has to offer. Government incentives for tourism should be biased towards continuing to improve quality and variety. The emphasis should be on food, culture, heritage, sports and other niches. The private sector should be encouraged to embrace Barbados' high-end reputation, and to focus on giving excellent value for money. High volume, low-cost tourism, including large cruise ships, bring risks of overcrowding and environmental degradation.

Government should consider contracting best international expertise to undertake a 3-year makeover of public services and administration. It would be costly, but it would be money well spent, if it were designed to bring all Government functions and services to an international standard of performance, comparable to Canada or Singapore.

Government should publish a strategy document with a practical time-bound plan for the complete replacement of fossil fuels as a source of energy. Renewable energy has the potential, in time, to provide the economy with a sector of comparable weight to tourism.

Borrowing from the example of the most successful firms in the sector, the future of international business seems to be in providing marketing, promotional, training and similar services. Government agencies should aim to attract international companies to set up offices in Barbados to provide these services to their international clients.

Historically, Barbados was a gateway to the Caribbean for two centuries or more. The island could become a gateway into and out of the Caribbean once more. To do that, Government would need to enter strategic partnerships with international firms for the management of the airport and seaport. Government should partner with international companies which have well-established global networks, and the capacity to finance upgrades to the Barbados facilities from their own resources.

Multilingual abilities are highly prized in international commerce. Barbados could enhance its international competitiveness with a comprehensive programme to provide foreign language skills from primary school level.

In a recent paper which may be consulted on my website, I explain the benefits of permanently retiring the Barbados dollar and using the US dollar for all domestic transactions. Importantly, Government would have no recourse to creating new money to finance excessively large deficits in the absence of a domestic currency.

There is a road to prosperity ahead for Barbados, but major obstacles remain in the path. Once they are addressed we can have confident hope for a better future for our country.